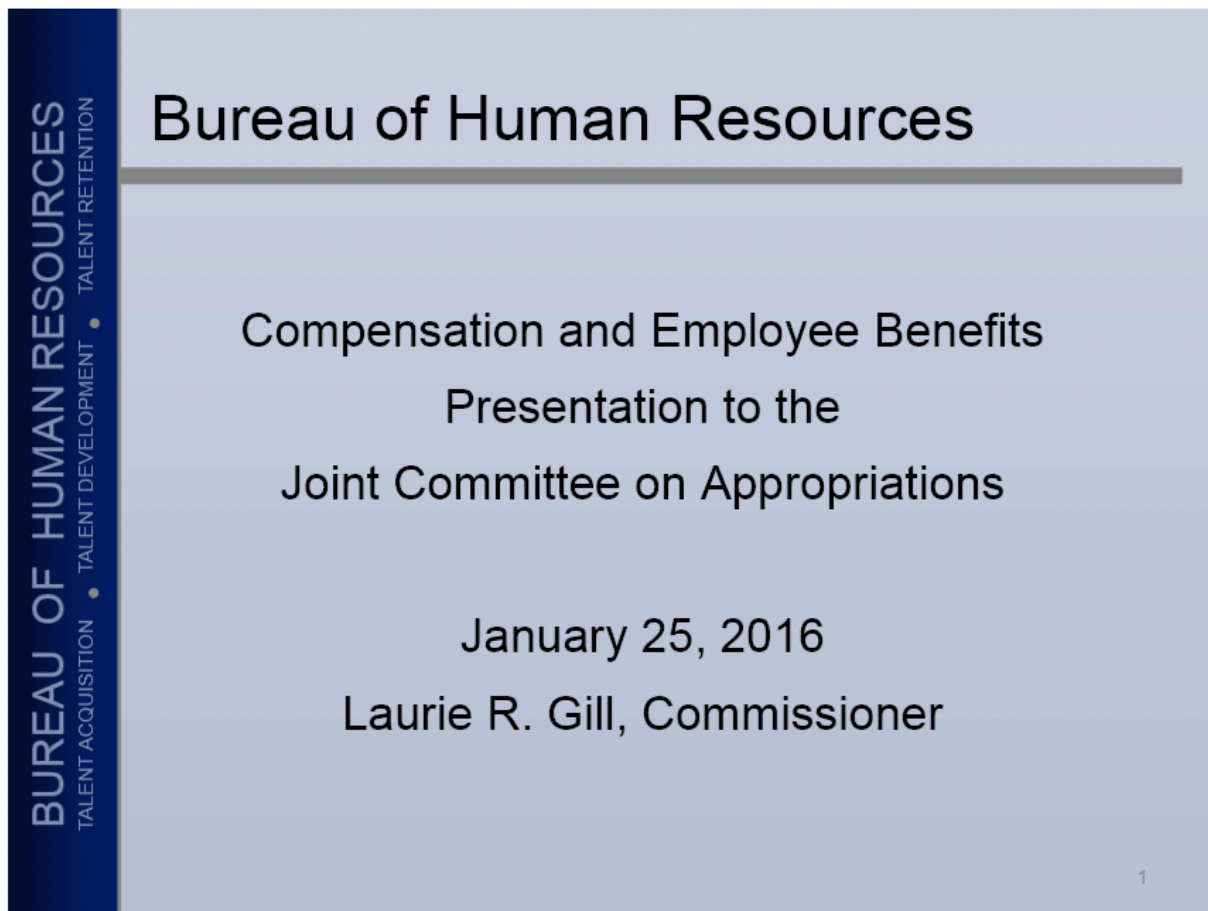


1. FY17 Employee Compensation and Benefits Presentation

Thursday, January 21, 2016
11:56 AM



The slide features a blue vertical sidebar on the left with the text "BUREAU OF HUMAN RESOURCES" in large white capital letters, and "TALENT ACQUISITION • TALENT DEVELOPMENT • TALENT RETENTION" in smaller white capital letters below it. The main content area has a light blue background. At the top, the title "Bureau of Human Resources" is displayed in large black font, followed by a horizontal grey line. Below this, the text "Compensation and Employee Benefits Presentation to the Joint Committee on Appropriations" is centered in black font. Further down, the date "January 25, 2016" and the name "Laurie R. Gill, Commissioner" are centered in black font. A small number "1" is located in the bottom right corner of the slide.

BUREAU OF HUMAN RESOURCES
TALENT ACQUISITION • TALENT DEVELOPMENT • TALENT RETENTION

Bureau of Human Resources

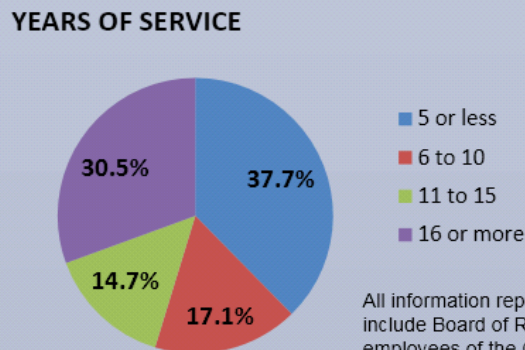
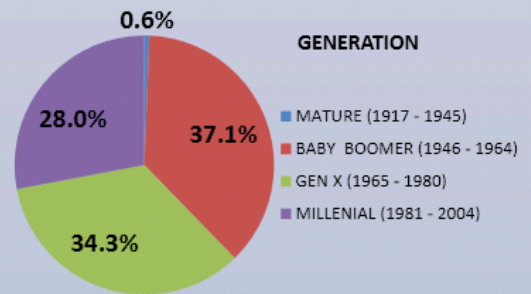
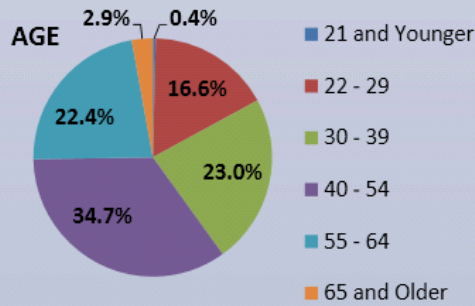
Compensation and Employee Benefits Presentation to the Joint Committee on Appropriations

January 25, 2016
Laurie R. Gill, Commissioner

1

State of South Dakota Workforce

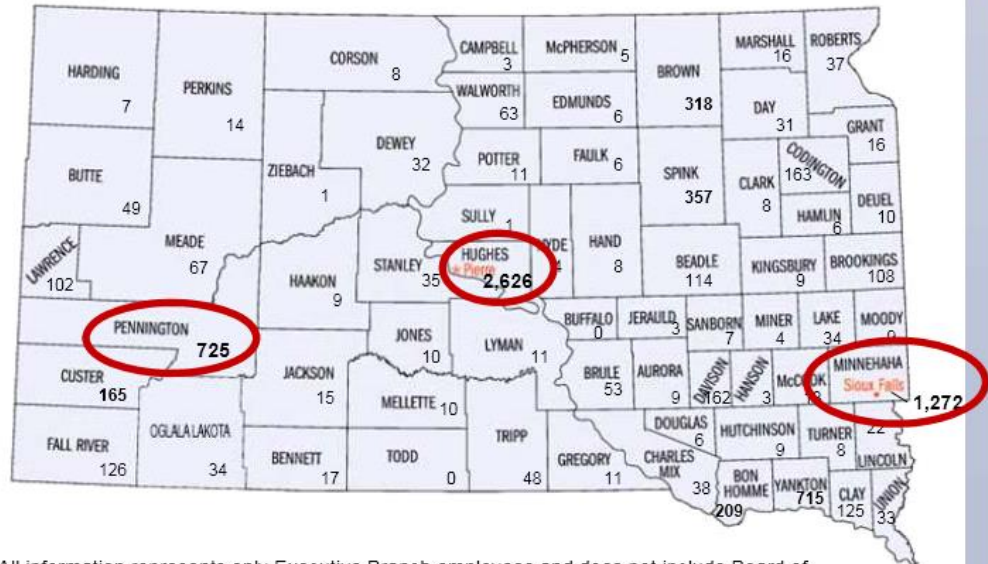
Workforce Demographics



AVERAGES	
Current Age	44.0
Age at Hire	32.7
Years of Service	11.9
Years to Retirement Eligibility	19.1
Annualized Pay	\$45,881

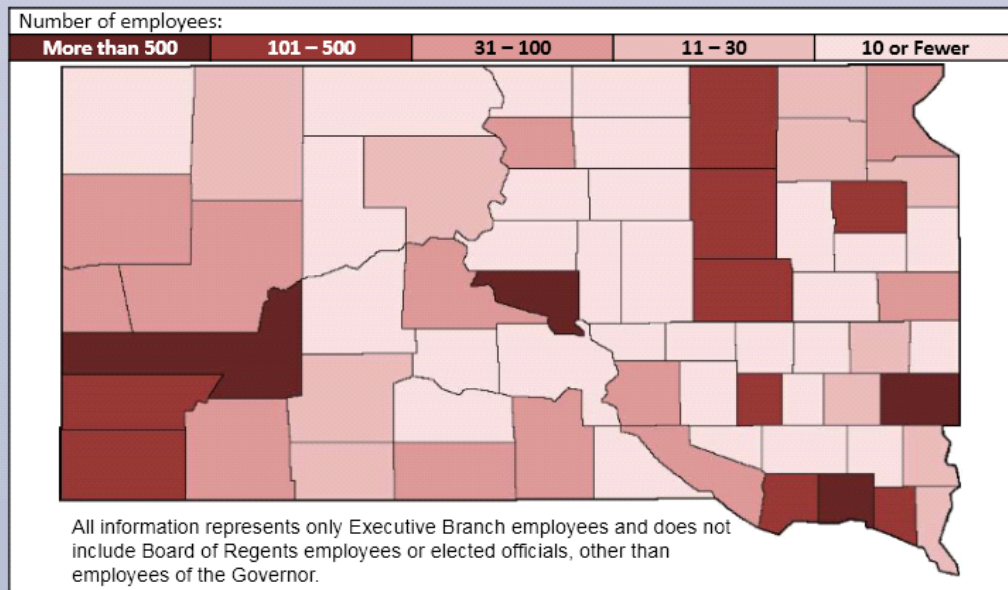
All information represents only Executive Branch employees and does not include Board of Regents employees or elected officials, other than employees of the Governor.

Workforce by Location

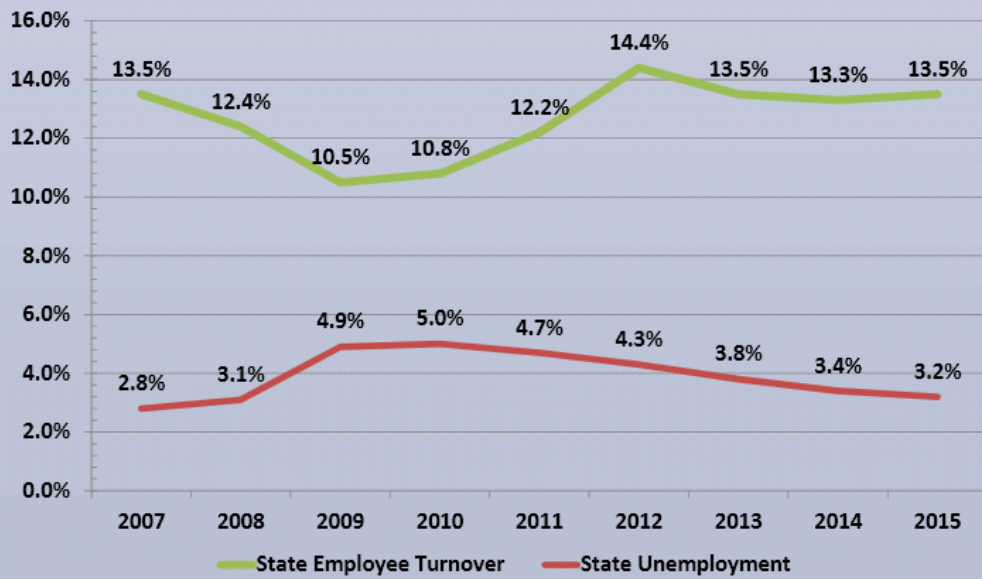


All information represents only Executive Branch employees and does not include Board of Regents employees or elected officials, other than employees of the Governor.

Workforce by Location



Workforce Turnover



All information represents only Executive Branch employees and does not include Board of Regents employees or elected officials, other than employees of the Governor.

State Employee Compensation

FY16 Compensation Highlights

- New compensation structures adopted in FY16
 - New General Pay and Medical Occupation Salary Structures
 - Updated Law Enforcement Structure
- Career bands remain the same
 - Accountants/Auditors, Engineers, Environmental Scientists, Information Technology, Nurses
- Market value for all pay grades set to 50th percentile of market data

Pay Structures

- General, Medical, and Law Enforcement
 - Majority of state employees
 - Market driven by aggregate

- Career Bands
 - 1,170 state employees
 - Market driven by occupation

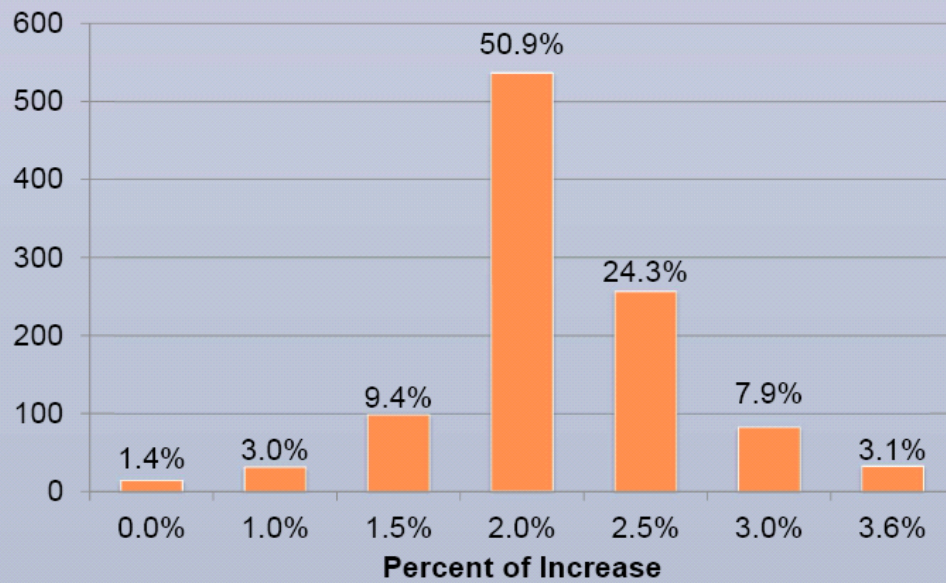
Salary Policy Components

- **Market Adjustment**
 - Adjusts salary structures and employee base rates of pay equally
 - General, Medical, and Law Enforcement
 - Salary structures move up at equal rates
 - Career Bands
 - Salary structures adjust according to market data of the specific occupation
 - Employee base rates of pay adjust the same percentage as the occupational adjustment

Salary Policy Components

- **Movement Toward Market Value**
 - Adjusts employee salaries independently of the salary structures
 - General, Medical, and Law Enforcement
 - Employees receive a set percentage of increase to their base pay, up to market value
 - Career Bands
 - Employees receive a percentage of increase to their base pay determined by individual performance (pay for performance)

FY16 Career Band Pay for Performance



Career Band Statistics

- Career bands include 1,170 employees as of January 2016
 - 77.2% of career band employees are below market value
 - 27.8% are at least 10% below market value compared to 33.6% one year ago
 - 16.8% are at market value
 - 6.0% are above market value

Salary Policy Recommendations

FY17 Salary Policy Proposal

- General, Medical, and Law Enforcement Structures
 - Market Adjustment
 - 2.7% which moves the entire structure
 - Movement Toward Market Value
 - 2.5% which moves employees through the structure

FY17 Salary Policy Proposal

- General Pay Structure
 - Increase in pay range minimum for pay grades D through G to 85% of true market minimum

Pay Grade	Number of EEs	Average Increase
D	21	3.29%
E	12	3.60%
F	21	3.39%
G	11	3.01%
TOTAL	65	3.33%

FY17 Salary Policy Proposal

- Career Bands
 - Market Adjustment
 - Accountants/Auditors – 0.0%
 - Engineers – 2.7%
 - Environmental Scientists – 2.5%
 - Information Technology – 0.0%
 - Nurses – 1.0%
 - Movement Toward Market Value
 - Up to 4.5% based on individual performance scores (pay for performance)
 - Average increase of 2.5%

Looking Forward

- Continue market analysis for all pay structures
- Continue to raise pay range minimums to the true market minimums
- Expand pay for performance to all state government positions in FY18
- Next total remuneration study conducted in calendar year 2017

South Dakota State Employee Health Plan

Health Plan Overview

- Self-funded health plan
- Employer assumes the risk
- No premiums paid to an insurance company
- Self-funding avoids built-in profit margin
- Allows for greater flexibility in plan design

Health Plan Challenges

- Contracting with providers and vendors
- Claims volatility
- Risk mitigation

FY17 Health Plan Options

- \$750 Deductible
- \$1,800 Deductible (Health Savings Account compatible)
 - Proposed increase in employer funded HSA contribution
- Expect 75% of current \$1,250 Deductible members to migrate to \$750 plan and 25% to the \$1,800 Deductible

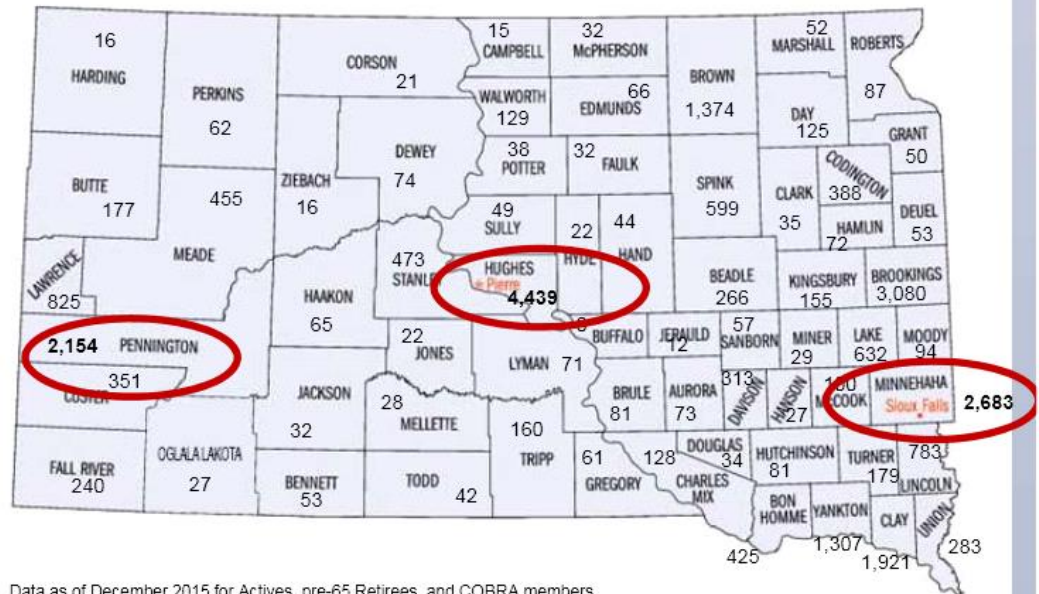
Qualifications for the \$750 Deductible Health Plan

- Complete a Health Screening
- Complete an Online Health Assessment
- Earn Latitude Wellness Program Points
 - Members participate in designated wellness activities to accumulate 100 points

Health Plan Participation

- FY16 average monthly enrollment - 13,092
actives, pre-65 retirees, and COBRA
members
- FY16 average monthly enrollment - 13,317
spouses and dependents
- FY16 Opt-outs - 369 employees (2.7%)
 - Opt-outs must provide proof of creditable
coverage in an alternative group health plan

Health Plan Members by County



Data as of December 2015 for Actives, pre-65 Retirees, and COBRA members including employees, spouses, and dependents.

FY17 Health Plan Strategic Initiatives

- Termination of Tier 1 contracts contingent upon new alternative strategies
- Implementation of alternative strategies to replace Tier 1 savings:
 - Health Homes
 - Ambulatory Payment Classification (APCs)
 - Reference Based Pricing
- Implementation of member health plan education and decision support tool

Health Plan Full Accrual Basis Financial Statement

	Employer Rate	\$8,662 Base (\$1,605) One-time Reduction \$7,057 Estimated FY 2016	Recommended Reduction (\$275) \$8,387 Estimated FY 2017
		FY 2015	FY 2016
Revenue			
Contributions to Plan			
Employer Paid	\$110,415,302	\$91,435,743	\$109,034,483
COBRA and Employee Paid for Dependents	\$18,846,962	\$14,124,172	\$14,126,580
Administrative Fee	\$137,241	\$132,035	\$132,035
Interest Revenue	\$532,510	\$200,000	\$200,000
Refund of Prior Years Expenses*	\$2,700,226	\$2,500,000	\$2,500,000
Total Revenue	\$132,632,241	\$108,391,950	\$125,993,098
Expenses			
Claims	\$108,812,502	\$104,882,278	\$115,174,752
Employer Life Claims	\$7,500	\$7,500	\$7,500
Administration	\$13,144,819	\$16,317,745	\$12,841,337
Total Expenses	\$121,964,821	\$121,207,523	\$128,023,589
Reserve Obligation	\$14,304,657	\$13,846,075	\$15,101,424
Current Year Over/(Underrecovery)	(\$3,637,237)	(\$26,661,648)	(\$17,131,915)
Prior Year Over/(Underrecovery)	\$18,106,385	\$28,773,805	\$15,958,232
Cumulative Over/(Underrecovery)**	\$14,469,148	\$2,112,157	(\$1,173,683)
IBNP-Incurred But Not Paid included in claims amount	\$14,304,657	\$13,846,075	\$15,101,424

*Includes subrogation, adjustment of prior year claims and pharmacy rebates.

**Cumulative Over/(Underrecovery) is the analysis of the revenues and expenses since the beginning of the program.

Questions



Photo courtesy of South Dakota Tourism.